

# Exhibit 2

**CONFIDENTIAL PURSUANT TO PROTECTIVE ORDER**

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE )  
COMMISSION, )  
 )  
Plaintiff, )  
 ) 19 Civ. 9439 (PKC)  
- against - )  
 )  
TELEGRAM GROUP INC. and )  
TON ISSUER INC., )  
 )  
Defendants. )  
\_\_\_\_\_ )

**\*\*CONFIDENTIAL PURSUANT TO PROTECTIVE ORDER\*\***

Videotaped deposition of PAVEL DUROV (as  
30(b)(6) corporate representative of Defendants and  
also in his personal capacity), Volume 1, taken on  
behalf of Plaintiff at Hadeef & Partners, LLC, Emaar  
Square, Building 3, Level 5, Downtown Dubai, Dubai,  
United Arab Emirates, beginning at 11:21 a.m. and  
ending at 9:54 p.m., on Tuesday, January 7, 2020,  
before LEAH WILLERSDORF, Member of the British  
Institute of Verbatim Reporters, Accredited Verbatim  
Reporter, Qualified Realtime Reporter - Level 2,  
International Participating Member NCRA.

JOB No. 200107LWI

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11:35:26 1 MR. TENREIRO: I'm just asking about --  
11:35:28 2 I'm not sure it relates to any topic. I'm just  
11:35:31 3 asking about the --

11:35:31 4 MR. DRYLEWSKI: Okay. Objection, based on  
11:35:34 5 scope.

11:35:34 6 You can answer that question in your  
11:35:36 7 personal capacity. And I'd instruct the witness  
11:35:38 8 to exclude from the answer the substance of any  
11:35:41 9 conversations with counsel.

11:35:42 10 THE WITNESS: Sure. So, as you know,  
11:35:59 11 Telegram, until yesterday, didn't comment on its work  
11:36:07 12 related to TON, and the reason why we did not comment  
11:36:15 13 is we didn't want our users and consumers in general  
11:36:25 14 to have any expectations in relation to TON; however,  
11:36:31 15 it came to our attention that due to this vacuum, or  
11:36:41 16 the perceived vacuum of announcements from our team,  
11:36:45 17 some users were being scammed by certain third  
11:36:53 18 parties, and while we warned our users against --  
11:37:01 19 about those scams on numerous occasions before, we  
11:37:04 20 decided that it is worth posting a more extensive  
11:37:09 21 piece explaining to the users the current status of  
11:37:18 22 TON and Grams so that they wouldn't be misled by bad  
11:37:24 23 actors trying to trick them into, you know, buying  
11:37:30 24 something that is not related to what we are trying to  
11:37:32 25 build.

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17:46:37 1 private placement?

17:46:37 2           A. I don't think we reached out to the SEC  
17:46:40 3 before I signed the first purchase agreement. The way  
17:46:44 4 we designed it is, the private placement, was that we  
17:46:59 5 reserved a lot of flexibility to how the project and  
17:47:10 6 its parts could look like, and this flexibility is  
17:47:17 7 reflected in the purchase agreements and its  
17:47:20 8 appendices.

17:47:36 9           That gave us a comfort of knowing that  
17:47:44 10 we would be able to change certain, if not all,  
17:47:49 11 aspects of what we're trying to build based on the  
17:47:59 12 feedback that we could receive from the regulators,  
17:48:04 13 including the SEC, in the following months.

17:48:08 14           Q. So is it fair to say the answer to my  
17:48:10 15 question is no, you do not?

17:48:13 16           A. No; that was the first sentence,  
17:48:17 17 I believe.

17:48:17 18           Q. Okay. Now, in terms of the remainder of  
17:48:21 19 your answer and the flexibility, is it fair to say  
17:48:24 20 that you today still retain that flexibility to  
17:48:46 21 change ...

17:48:48 22           Right. Is it fair to say that -- so you  
17:48:48 23 said the way you designed it was that you had  
17:48:52 24 flexibility to change some features of the project.  
17:49:03 25 Is it fair to say that you, to this day, retain that

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17:49:06 1 flexibility to change features of how a project might  
17:49:11 2 look like in the future?

17:49:12 3 A. That's correct.

17:49:12 4 Q. I mean, just as one example, I think at  
17:49:15 5 some point originally there was at least the idea  
17:49:17 6 conveyed to investors that TON Wallet might be  
17:49:23 7 integrated into Messenger, but in Exhibit 38, which we  
17:49:27 8 began the morning with, which was the statement that  
17:49:29 9 you posted yesterday, there is a statement that TON  
17:49:35 10 Wallet will no longer be integrated into Messenger;  
17:49:38 11 is that correct?

17:49:38 12 MR. DRYLEWSKI: Objection to form.  
17:49:40 13 Objection to the characterization of the document.

17:49:45 14 THE WITNESS: I believe in that  
17:49:46 15 announcement we made clear that the Wallet would not  
17:49:51 16 be integrated into the Messenger applications at  
17:49:55 17 launch.

17:49:56 18 BY MR. TENREIRO:

17:49:56 19 Q. Right.

17:50:05 20 A. And we reserved the right to do that  
17:50:08 21 later, subject to regulatory approval.

17:50:10 22 Q. Right. Thank you. Thanks for clarifying.

17:50:13 23 "Telegram may integrate the TON Wallet  
17:50:15 24 application with the Telegram Messenger service in the  
17:50:17 25 future, to the extent permitted under applicable law

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17:50:20 1 and governmental authorities."

17:50:22 2 I just read that from Exhibit 38.

17:50:25 3 A. Yeah.

17:50:25 4 Q. Is that what you were referring to?

17:50:27 5 A. Correct.

17:50:27 6 Q. Okay. So that's one example of where you  
17:50:30 7 retained flexibility, and retain flexibility today,  
17:50:33 8 in terms of how you structure the TON Blockchain and  
17:50:37 9 surrounding ecosystem? Is that one example?

17:50:41 10 A. That's one example. The other, I think,  
17:50:54 11 even more relevant example is when we received  
17:50:56 12 feedback from the SEC in relation to the contemplated  
17:51:10 13 Gram-buying function of the TON Foundation that may be  
17:51:17 14 established in the future, and we understood that the  
17:51:27 15 SEC was concerned with that function, and although we  
17:51:40 16 might not fully -- might not have fully understood or  
17:51:48 17 agreed with that view, we instantly changed our plans,  
17:52:09 18 and at a certain point in time later informed all the  
17:52:13 19 private placement purchasers about this change.

17:52:16 20 Q. Thank you. And is another example of  
17:52:19 21 where you have some flexibility the existence of or  
17:52:24 22 the parameters for functioning of the TON Foundation?  
17:52:27 23 Is that another example?

17:52:29 24 A. Yes. I believe that flexibility is  
17:52:34 25 allowed for in the risk factors of appendix to the

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17:54:53 1 the TON Foundation cannot serve as a validator on the  
17:55:05 2 TON Blockchain; is that correct?

17:55:16 3 A. Yes. I believe we have a plan to allow  
17:55:26 4 the TON Foundation to use Grams in the TON Reserve for  
17:55:32 5 validation, to the extent we could implement this  
17:55:44 6 limitation into the structure, both from an  
17:56:02 7 engineering perspective and from a legal perspective.

17:56:06 8 Q. I just want to make sure I have a clear  
17:56:09 9 record.

17:56:09 10 MR. DRYLEWSKI: Yeah.

17:56:09 11 BY MR. TENREIRO:

17:56:10 12 Q. So you believe you have a plan to allow  
17:56:12 13 the TON Foundation to act as a validator?

17:56:14 14 A. No.

17:56:15 15 Q. Oh, okay.

17:56:16 16 MR. DRYLEWSKI: Yeah. So "could," I think  
17:56:16 17 it was "could not."

17:56:18 18 MR. TENREIRO: Okay.

17:56:18 19 THE WITNESS: Sorry.

17:56:19 20 MR. TENREIRO: Yeah.

17:56:19 21 THE WITNESS: Could not.

17:56:19 22 MR. TENREIRO: Okay.

17:56:20 23 BY MR. TENREIRO:

17:56:23 24 Q. Okay. So my followup question is,  
17:56:26 25 is there flexibility, from your perspective, on that

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17:56:28 1 point as well, such that you could at some point later  
17:56:33 2 in the future change your mind and permit the TON  
17:56:35 3 Reserve to act as one of many validators on the TON  
17:56:56 4 Blockchain?

17:56:56 5 A. No, we never wanted to retain that  
17:57:00 6 flexibility. It was our -- it has been our plan  
17:57:10 7 to disallow that kind of use of Grams by the TON  
17:57:18 8 Foundation in order to make sure that the public  
17:57:31 9 perception of the network is in line with expectations  
17:57:54 10 people would reasonably have from a decentralized  
17:58:00 11 network.

17:58:00 12 Q. Okay. We can set that document aside,  
17:58:07 13 which is Exhibit 50.

17:58:08 14 You were talking about banking  
17:58:10 15 relationships and I believe that -- is it fair to say  
17:58:13 16 that during the term of the private placement, your  
17:58:16 17 primary banking relationship -- [REDACTED]

[REDACTED]  
17:58:22 19 MR. DRYLEWSKI: Objection, I think to  
17:58:24 20 scope.

17:58:25 21 Is that in one of the topics?

17:58:26 22 MR. TENREIRO: It's the Use of Funds  
17:58:29 23 topic.

17:58:32 24 MR. DRYLEWSKI: Use of Funds topic, okay.

17:58:45 25 THE WITNESS: Yes, I think you could say



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20:08:36 1 completely or because the purchaser suddenly decided  
20:08:42 2 to change their plans and, given the situation --  
20:09:17 3 I'm sorry. So as a result of the situation  
20:09:21 4 surrounding this specific investor, decided to  
20:09:27 5 decrease the number of Grams that they would subscribe  
20:09:30 6 for in the purchase agreements.

20:09:34 7 So those agreements had to be canceled in  
20:09:36 8 order to have new agreements signed reflecting the  
20:09:42 9 updated number of Grams and amounts in US dollars or  
20:09:57 10 euro.

20:09:58 11 Q. So tens of purchase agreements is your  
20:10:01 12 kind of estimate?

20:10:01 13 A. That's my estimate.

20:10:03 14 Q. Okay. And in terms of these funds --  
20:10:06 15 I'll go on a break after this.

20:10:08 16 MR. DRYLEWSKI: Thank you.

20:10:08 17 BY MR. TENREIRO:

20:10:09 18 Q. I'm sorry, did you want to say something  
20:10:12 19 else?

20:10:13 20 A. Just to clarify, that by tens of  
20:10:23 21 agreements, I don't mean investors, I don't mean  
20:10:26 22 purchasers; I mean separate purchase agreements --

20:10:31 23 Q. Sure.

20:10:32 24 A. -- and one purchaser may have entered into  
20:10:36 25 multiple purchase agreements.

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1 UNITED STATES DISTRICT COURT  
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4 SECURITIES AND EXCHANGE )  
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7 Plaintiff, )  
8 - against - ) 19 Civ. 9439 (PKC)  
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10 TELEGRAM GROUP INC. and )  
11 TON ISSUER INC., )  
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13 Defendants. )  
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24 )  
25 )

11 \*\*CONFIDENTIAL PURSUANT TO PROTECTIVE ORDER\*\*

13 Videotaped deposition of PAVEL DUROV (as  
14 30(b)(6) corporate representative of Defendants and  
15 also in his personal capacity), Volume 2, taken on  
16 behalf of Plaintiff at Hadeef & Partners, LLC, Emaar  
17 Square, Building 3, Level 5, Downtown Dubai, Dubai,  
18 United Arab Emirates, beginning at 10:23 a.m. and  
19 ending at 6:09 p.m., on Wednesday, January 8, 2020,  
20 before LEAH WILLERSDORF, Member of the British  
21 Institute of Verbatim Reporters, Accredited Verbatim  
22 Reporter, Qualified Realtime Reporter - Level 2,  
23 International Participating Member NCRA.

25 JOB No. 200108LWI

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10:25:37 1 Q. Okay. So with respect to the 1.3 billion  
10:25:40 2 that is left from the private placement, sitting here  
10:25:43 3 today, what are Telegram's plans for those funds,  
10:25:46 4 the use of those funds?

10:25:57 5 A. Would you mind specifying the period of  
10:25:59 6 time for ...

10:26:00 7 Q. Let's say for the next year.

10:26:19 8 A. My expectation is that we will continue  
10:26:26 9 to spend funds in a manner similar to which took place  
10:26:39 10 last year or this year -- or, yeah, last year and the  
10:26:43 11 beginning of this year. So we don't anticipate big  
10:26:51 12 changes up until the launch of TON when we expect that  
10:27:07 13 certain expenses might go down due to the fact that we  
10:27:10 14 will no longer be spending resources on developing and  
10:27:18 15 testing TON.

10:27:19 16 Q. So is it your expectation that after the  
10:27:21 17 launch of the blockchain, Telegram will spend no funds  
10:27:25 18 at all on TON or the blockchain?

10:27:36 19 A. Yes, other than potential expenses on any  
10:27:54 20 legal costs or litigations that may result in the  
10:28:00 21 process.

10:28:01 22 Q. So is it -- is the testing of the  
10:28:05 23 TON Blockchain complete as of today, or do you expect  
10:28:09 24 it will be complete by the launch? What's the status  
10:28:12 25 of the testing?

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10:28:16 1 MR. DRYLEWSKI: Objection to form.

10:28:18 2 Do you mean Telegram's testing? Because  
10:28:20 3 there's also a testnet, I just want to be clear.

10:28:25 4 MR. TENREIRO: Telegram's testing,  
10:28:27 5 mmm-hmm.

10:28:28 6 MR. DRYLEWSKI: Okay.

10:28:29 7 Objection to form. Objection to  
10:28:34 8 foundation.

10:28:57 9 THE WITNESS: We consider the testing of  
10:29:06 10 the core components of the TON network to be complete;  
10:29:21 11 however, certain additional functionality of TON, that  
10:29:35 12 would be nice to have, but that would not be necessary  
10:29:42 13 for the launch. It's still required and that is the  
10:29:57 14 kind of testing that we are focused on right now.

10:30:04 15 BY MR. TENREIRO:

10:30:04 16 Q. So let me take it in steps. Some of the  
10:30:06 17 functionality that would be nice to have but not  
10:30:08 18 required, can you be more specific about what you  
10:30:11 19 mean, what functionalities?

10:30:14 20 MR. DRYLEWSKI: And just for the record,  
10:30:15 21 about which topic are we in right now?

10:30:18 22 MR. TENREIRO: I think this is -- hold on  
10:30:20 23 a second.

10:30:31 24 MR. DRYLEWSKI: I'll answer my own  
10:30:33 25 question. Is it 13?

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10:47:09 1 voted on or -- under the protocols and procedures of  
10:47:13 2 the TON Blockchain? Is that one of the things that,  
10:47:15 3 in theory, the TON Foundation could do if it ever  
10:47:18 4 existed?

10:48:11 5           A. Since the TON Foundation, as contemplated  
10:48:27 6 at a certain point in time in the past, was modeled  
10:48:35 7 after the Ethereum foundation and the Bitcoin  
10:48:41 8 foundation, foundations relevant to the similar but  
10:48:52 9 older and less, we believe, efficient networks, one of  
10:49:02 10 its planned functions that we discussed was to be  
10:49:20 11 able to, based on the input from the blockchain  
10:49:26 12 community and relevant experts, put forward proposals  
10:49:47 13 in relation to the future of TON Blockchain in the  
10:49:59 14 same way as any other organization or group of people,  
10:50:17 15 if they would like so, will be able to put forward  
10:50:24 16 proposals in relation to the future of TON Blockchain.  
10:50:39 17 Those proposals, though, would not, and will not,  
10:50:51 18 be able to affect any property or functionality in the  
10:51:03 19 TON Blockchain, or change the way how it would work,  
10:51:32 20 unless validators/parties that will be hosting  
10:51:45 21 the network agree, in their majority, to implement  
10:52:05 22 proposed changes, be it changes proposed by the  
10:52:18 23 hypothetical TON Foundation or any other organization  
10:52:33 24 of that kind that may be established in the future by  
10:52:46 25 third parties.

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10:57:07 1 Q. And for that reason, Telegram has retained  
10:57:09 2 flexibility in its offering documents for the private  
10:57:13 3 placement to change its mind about the level of  
10:57:16 4 involvement it might have with some of these issues;  
10:57:18 5 is that correct?

10:57:30 6 A. Generally speaking, Telegram reserved  
10:57:39 7 a very large degree of flexibility described in the  
10:57:48 8 offering materials, in the purchase agreement and  
10:57:54 9 its appendices. I believe that in certain parts of  
10:58:22 10 the offering materials we make it clear for the  
10:58:36 11 purchasers that the future of the TON Blockchain is --  
10:58:52 12 would be in the hands of decentralized, open source  
10:59:05 13 community. I think this was almost a direct quote  
10:59:19 14 from the primer, if I'm not mistaken.

10:59:21 15 MR. TENREIRO: It's "decentralized."

10:59:22 16 MR. DRYLEWSKI: I was going to check after  
10:59:24 17 the answer was done.

10:59:25 18 MR. TENREIRO: Yeah. I got it.

10:59:30 19 THE WITNESS: Thank you.

10:59:30 20 MR. TENREIRO: I'm sorry. Were you  
10:59:33 21 finished? I apologize.

10:59:40 22 THE WITNESS: And based on that, I think  
11:00:08 23 it was -- it is clear that the degree of Telegram's  
11:00:24 24 involvement in developing and supporting TON  
11:00:36 25 post-launch would be limited.

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11:10:46 1 BY MR. TENREIRO:

11:10:46 2 Q. But let's, I think -- let's break --

11:10:48 3 MR. DRYLEWSKI: Telegram, the entity.

11:10:48 4 MR. TENREIRO: Yeah, let's break it up  
11:10:51 5 because he might be struggling.

11:10:53 6 THE WITNESS: Sure.

11:10:53 7 BY MR. TENREIRO:

11:10:54 8 Q. So let's try Telegram first.

11:10:56 9 A. Okay. So Telegram does not intend to hold  
11:10:58 10 any Grams post launch.

11:11:02 11 Q. So the unsold Grams will go to who?

11:11:17 12 A. The unsold Grams, provided the network  
11:11:30 13 is launched with unsold Grams, will be locked until  
11:11:38 14 the creation of, the establishment of the  
11:11:41 15 TON Foundation. If the TON Foundation is never  
11:11:51 16 established, those unsold Grams will be locked for  
11:11:57 17 perpetuity.

11:11:58 18 Q. And what's the percentage of the 5 billion  
11:12:02 19 that those locked Grams would be?

11:12:08 20 A. I think we had the --

11:12:13 21 MR. DRYLEWSKI: Let's go off the record  
11:12:14 22 for one second if that's okay.

11:12:16 23 MR. TENREIRO: Okay.

11:12:16 24 THE VIDEOGRAPHER: We are going off the  
11:12:18 25 record. The time is 11:12.

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11:23:31 1 "28 percent of the initial supply of Grams would be  
11:23:31 2 allocated to the TON Reserve to be used by the  
11:23:33 3 TON Foundation as described [therein]"?

11:23:44 4 A. I think this is an accurate reflection  
11:24:05 5 of our plans --

11:24:06 6 Q. Accurate and.

11:24:08 7 A. ... reflection of our plans, yeah.

11:24:10 8 Q. An accurate reflection, okay.

11:24:11 9 Then if you go to page 29 where there is  
11:24:18 10 Interrogatory No. 15 and a response also. If you  
11:24:21 11 could focus on the first paragraph first that  
11:24:23 12 describes:

11:24:24 13 "... Defendants currently contemplate that  
11:24:25 14 approximately 10% of the initial supply of Grams will  
11:24:29 15 be allocated for incentive payments to TON Blockchain  
11:24:29 16 users... The Incentives Pool is expected to managed by  
11:24:33 17 the TON Foundation."

11:24:34 18 Oh, page 29.

11:24:36 19 A. Yes, okay.

11:24:46 20 Q. So is that statement accurate?

11:25:42 21 A. It is accurate that we plan to distribute  
11:26:00 22 approximately 10 percent in the initial supply of  
11:26:03 23 Grams among the users of the TON Blockchain, subject  
11:26:15 24 to certain conditions. It is, however, worth noting  
11:26:23 25 that in light of the uncertain status of the

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11:26:36 1 TON Foundation, one of the mechanics of distributing  
11:26:59 2 those 10 percent of Grams that we have been discussing  
11:27:14 3 is that in case the TON Foundation is not established  
11:27:33 4 or, theoretically speaking, for some reasons could  
11:27:54 5 never be established and we come to such a conclusion,  
11:28:03 6 then we were discussing ways to distribute those  
11:28:29 7 10 percent of the initial supply among the users  
11:28:39 8 directly at launch so that if the incentive pool,  
11:29:28 9 as a concept, is considered to be applicable as  
11:30:23 10 a result of the ongoing analysis and continuing legal  
11:30:29 11 processes, while the TON Foundation, for some reasons,  
11:30:45 12 is not feasible as a concept, we could treat the  
11:31:04 13 incentives pool separately from the TON Foundation and  
11:31:18 14 could still try to find compliant ways to implement  
11:31:39 15 the idea of distributing 10 percent among the users  
11:31:50 16 in order to increase and promote the consumptive use  
11:32:00 17 of the new currency.

11:32:06 18 Q. Thank you. I'm just trying to get an  
11:32:09 19 answer to my question now, which is: What percentage  
11:32:11 20 of Grams of the 5 billion is Telegram's employees  
11:32:14 21 going to have upon the launch? It's just a number.

11:32:17 22 MR. DRYLEWSKI: I think he just answered  
11:32:18 23 that question.

11:32:19 24 MR. TENREIRO: I don't think so.

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11:32:20 1 BY MR. TENREIRO:

11:32:21 2 Q. I just want a number.

11:32:37 3 A. I can reconfirm that Telegram will not  
11:32:39 4 hold any Grams post launch. We mentioned in the  
11:32:59 5 offering materials that we plan to distribute  
11:33:06 6 4 percent of Grams, which should be around 200 million  
11:33:20 7 Grams, I believe, among the development team, and  
11:33:57 8 we are still evaluating, under the circumstances,  
11:34:08 9 whether we would proceed with that initial plan of  
11:34:19 10 distributing all or some of those 200 million Grams  
11:34:40 11 among the developers that worked on TON.

11:34:50 12 Q. So what percentage of the Grams were sold  
11:34:53 13 in the private placement?

11:36:00 14 A. In order to make sure I accurately answer  
11:36:03 15 your question, may I look at the documents in my email  
11:36:19 16 and ...

11:36:20 17 MR. DRYLEWSKI: What we can do, I think,  
11:36:22 18 Jorge, this isn't meant to be a memory test, is we can  
11:36:25 19 get the information for you, we can take a quick break  
11:36:28 20 and he can answer the question because it's a knowable  
11:36:31 21 answer; he just doesn't know the percentages right  
11:36:33 22 now. We're talking about a lot of different numbers.

11:36:35 23 So does that work for you?

11:36:37 24 MR. TENREIRO: Sure. Let's just get the  
11:36:38 25 numbers and get an answer. We've been at this for,

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11:44:25 1 Q. Okay. And the remaining 42 percent,  
11:44:30 2 who currently, as we sit here today, will have the  
11:44:34 3 authority to decide what to do and how to allocate the  
11:44:38 4 remainder of the 42 percent?

11:45:06 5 A. The creators of the network will be  
11:45:09 6 responsible for the distribution mechanism at launch.

11:45:21 7 Q. So the creators of the network, you mean  
11:45:26 8 Telegram?

11:45:26 9 A. Yes.

11:45:26 10 Q. Okay. And moving on to a separate topic  
11:45:31 11 or, I guess, just moving on from this line of  
11:45:33 12 questioning, I think yesterday we talked about whether  
11:45:38 13 Telegram or its employees may take part in voting or  
11:45:42 14 validation. Do you recall generally we talked about  
11:45:45 15 that a little bit?

11:45:45 16 A. Yes.

11:45:46 17 Q. And I think you said in your public notice  
11:45:49 18 of the 6th, which I think was Monday, and if you want  
11:45:53 19 to refer to it, it's Exhibit 38, but you said,  
11:45:58 20 you know, Telegram and its employees --  
11:46:00 21 I'm paraphrasing -- will not take part in voting or  
11:46:02 22 validating in connection with the TON Blockchain.  
11:46:05 23 This voluntary decision was made in order to avoid any  
11:46:07 24 perception that Telegram or its employees can or will  
11:46:10 25 exercise control over the TON Blockchain following its

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11:46:13 1 launch.

11:46:15 2 Does that sound more or less like what you  
11:46:18 3 said?

11:46:18 4 A. Yes.

11:46:18 5 Q. Okay. Now, at some point, though, prior,  
11:46:22 6 Telegram's employees were -- it was contemplated that  
11:46:27 7 they could participate in validating up to a certain  
11:46:31 8 percentage of Grams available; is that not correct?

11:46:43 9 MR. DRYLEWSKI: Sorry, could I have that  
11:46:44 10 question read back. I want to know if I need to  
11:46:47 11 object.

11:47:01 12 (Whereupon, the record was read back by  
11:47:02 13 the court reporter.)

11:47:02 14 MR. DRYLEWSKI: Okay. I wanted to know if  
11:47:04 15 you said "disclosed" or "contemplated." I do not  
11:47:08 16 object.

11:47:48 17 THE WITNESS: If I remember it right, when  
11:48:10 18 we were drafting our plans in relation to the  
11:48:12 19 distribution of Grams -- and those plans were drafted  
11:48:20 20 in, I believe, 2017, or started to be drafted in  
11:48:27 21 2017 -- we didn't specifically emphasize in those  
11:48:52 22 plans that we would limit the holders of this  
11:49:13 23 hypothetical 4 percent from participating in  
11:49:22 24 validation.

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12:12:09 1 "We were planning to provide you with the  
12:12:11 2 same level of allocation we grant other tier-1 firms  
12:12:15 3 such as [REDACTED] which is 15 [million]."

12:12:20 4 Do you see that?

12:12:21 5 A. Yes.

12:12:22 6 Q. Can you tell me what you meant by "tier-1  
12:12:26 7 firms"?

12:12:26 8 MR. DRYLEWSKI: And this is a question  
12:12:28 9 to him in his personal capacity?

12:12:30 10 MR. TENREIRO: Yeah.

12:12:30 11 MR. DRYLEWSKI: Thank you.

12:12:44 12 THE WITNESS: I think it is common  
12:12:46 13 knowledge that there are certain venture capital funds  
12:12:56 14 in Silicon Valley and elsewhere that are universally  
12:13:05 15 considered to have the best track record in the  
12:13:29 16 industry, and such VCs, and in some cases individual  
12:13:37 17 investors, are often referred to as "tier 1 funds,"  
12:13:45 18 at least the firms. At least that is how I use this  
12:13:51 19 word.

12:13:52 20 BY MR. TENREIRO:

12:13:52 21 Q. Okay. And why -- I think you mentioned  
12:13:56 22 reputation a couple times. Why does reputation -- why  
12:14:01 23 was that a factor that Telegram considered in the  
12:14:04 24 allocation decision?

12:14:24 25 A. Reputation was very important if -- a very

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12:14:30 1 important factor for us when deciding which purchasers  
12:14:43 2 should be admitted to participating in the private  
12:14:51 3 placement, because when entering the purchase  
12:15:00 4 agreements, investors were obliged by the agreement  
12:15:20 5 to make representations, including representations  
12:15:38 6 that confirmed that they're buying an interest in  
12:15:57 7 Grams on their own behalf and not on behalf of some  
12:16:07 8 other parties, and not with the view to reselling this  
12:16:18 9 interest in Grams. They would then have to reconfirm  
12:16:35 10 those representations at the time when Grams would be  
12:16:56 11 issued to them, and it was a clear condition that they  
12:17:03 12 would have to reconfirm those representations in order  
12:17:08 13 to receive Grams at launch.

12:17:22 14 It was important that we have reputable  
12:17:28 15 investors, to the extent it is possible, and other  
12:17:51 16 considerations that we have most confidence in the  
12:18:09 17 fact that the people making these representations  
12:18:28 18 can be trusted and those representations can be relied  
12:18:30 19 on.

12:18:31 20 Q. Is there any other reason why their  
12:18:35 21 reputation matter, other than the reasons you just  
12:18:38 22 mentioned, or was that it?

12:18:56 23 A. Well, having well-known, reputable firms  
12:19:06 24 as parties in the purchase agreements could also allow  
12:19:17 25 to decrease complexity in terms of necessary

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12:19:40 1 processes, such as obtaining KYC source-of-wealth  
12:19:51 2 information for these purchasers.

12:19:55 3 Q. And why does a VC, a venture capitalist  
12:20:00 4 firm's, track record matter? Why is that a factor?

12:20:11 5 A. VCs with track record, in our view, could  
12:21:16 6 be trusted and would, with a high degree of  
12:21:30 7 probability, be able to better understand the nature  
12:21:39 8 of the project that we were undertaking.

12:21:50 9 Q. Other than I think you mentioned  
12:21:54 10 reputation, track record, brand name, experience in  
12:21:58 11 this space, were there other factors -- and you said  
12:22:02 12 those were the -- I'm just trying to make sure  
12:22:05 13 I understood.

12:22:05 14 You said those were the factors, also  
12:22:07 15 potentially personal relationships that you might have  
12:22:09 16 had. Any other factors that I am missing that  
12:22:14 17 Telegram considered in deciding the allocations in the  
12:22:22 18 pre-sale round?

12:22:30 19 A. I believe there could be certain other  
12:22:33 20 factors which include the fact that those purchasers  
12:22:50 21 were only admitted to the allocation if -- to the  
12:22:54 22 purchase -- private placement if they were  
12:22:58 23 sophisticated, accredited investors, and high  
12:23:11 24 net-worth individuals. Another factor I could think  
12:23:17 25 of, for example, is if, after meeting or speaking or

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12:23:36 1 communicating in another way with a potential  
12:23:40 2 purchaser, we were not able to get confident that the  
12:24:04 3 purchaser, potential purchaser clearly understands the  
12:24:15 4 nature of our project and its limitations, including  
12:24:19 5 some of the limitations later reflected in the  
12:24:33 6 purchase agreement and the appendices to the primer,  
12:24:37 7 we would, with a higher degree of probability, decline  
12:24:54 8 to admit such a potential purchaser to the private  
12:24:59 9 placement.

12:25:00 10 Another example could be when we would,  
12:25:26 11 during the process of defining the allocation, receive  
12:25:38 12 certain rumors from the market that would indicate  
12:25:41 13 that this potential purchaser did not fully understand  
12:25:52 14 the nature of what we were doing or the limitations  
12:25:59 15 imposed for the purchase agreement, we would, with  
12:26:08 16 a very high degree of probability, cancel the  
12:26:16 17 allocation of such a potential purchaser or, if this  
12:26:24 18 allocation hadn't even been considered prior to that,  
12:26:39 19 we would not pursue this opportunity related to such  
12:27:18 20 purchaser in any way.

12:27:34 21 Q. And in terms of ensuring that these  
12:27:36 22 initial purchasers were not buying the Grams to resell  
12:27:40 23 them, why not just lock up the Grams, all the Grams  
12:27:46 24 from being resold?

12:27:47 25 MR. DRYLEWSKI: Objection; form.



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12:31:52 1 restricting the ability of those Grams to be  
12:31:56 2 transferred for resale as opposed to be transferred  
12:32:00 3 for validation or use in applications or some other  
12:32:06 4 use with respect to the blockchain?

12:32:08 5 Let me strike this and just lay  
12:32:10 6 a foundation.

12:32:11 7 You're familiar that in blockchain  
12:32:14 8 technology, are you not, that you can restrict the  
12:32:16 9 transfer of tokens on blockchains for certain --  
12:32:19 10 within certain parameters? Are you familiar with that  
12:32:21 11 generally?

12:32:29 12 A. I understand that developers of some  
12:32:34 13 blockchain projects may seek to do so.

12:32:36 14 Q. Okay. So why didn't Telegram seek -- why  
12:32:40 15 isn't Telegram seeking to do so, to restrict the  
12:32:43 16 ability of the initial purchasers in Stage A to  
12:32:47 17 transfer the Grams, except for certain uses only?

12:33:11 18 A. Grams were designed to be a mass-market  
12:33:20 19 currency, used for consumptive purposes. We were  
12:33:35 20 hoping to build upon the ideas of older, decentralized  
12:33:45 21 networks such as Bitcoin and Ethereum, and  
12:33:54 22 significantly improve their speed, scalability and  
12:34:02 23 ease of use, so that consumers that are currently  
12:34:14 24 struggling with limitations existing in these older  
12:34:24 25 networks that I just mentioned would be able to enjoy

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12:34:41 1 a more efficient service and achieve their goals in  
12:34:51 2 a more efficient and user-friendly way so that,  
12:34:59 3 as a result, the resulting cryptocurrency will --  
12:35:07 4 the resulting cryptocurrency could achieve wider  
12:35:17 5 adoption and be used in commerce and all sorts of  
12:35:39 6 applications for a wide range of purposes.

12:36:06 7 We thought that given these  
12:36:27 8 considerations, it was necessary to make sure that  
12:36:44 9 consumers can interact with this new currency in the  
12:36:56 10 similar way they interact with less efficient and  
12:37:15 11 older blockchain networks. We believe that to achieve  
12:37:30 12 these goals, it would not be beneficial to impose  
12:37:48 13 limitations on the participants in the ecosystem that  
12:37:59 14 are absent in other similar networks such as Bitcoin  
12:38:09 15 and Ethereum.

12:38:10 16 Q. So my question was not about imposing  
12:38:13 17 limitations on the participants in the ecosystem but  
12:38:15 18 simply limitations on the ability of the initial  
12:38:18 19 purchasers to transfer their Grams for sale as opposed  
12:38:21 20 to giving them to mass markets for adoption for the  
12:38:25 21 purposes you just described.

12:38:48 22 A. As I just mentioned, it was critical  
12:39:04 23 to achieve a wide adoption for this new cryptocurrency  
12:39:12 24 in order for it to have the utility and consumptive  
12:39:27 25 use for consumers. Based on that, it was beneficial

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12:44:56 1 BY MR. TENREIRO:

12:44:56 2 Q. Maybe I should ask it this way: Is there  
12:45:01 3 a belief -- was there a belief, when this  
12:45:04 4 interrogatory answer was submitted, that Grams  
12:45:07 5 would be worth \$3 to \$7 at some point?

12:45:10 6 MR. DRYLEWSKI: Objection to form.

12:45:12 7 Grams worth 3 to 7 -- I guess, what do you  
12:45:16 8 mean Grams that would be worth that? In the  
12:45:17 9 aggregate? All Grams? A Gram?

12:45:17 10 BY MR. TENREIRO:

12:45:19 11 Q. You wrote the answer; so what did you mean  
12:45:22 12 there, "Grams worth approximately 3 to 7" --

12:45:26 13 MR. DRYLEWSKI: Okay, that's a different  
12:45:27 14 question. Okay.

12:45:28 15 THE WITNESS: I think, to avoid confusion,  
12:45:31 16 it is important to point out that it is not implied  
12:45:34 17 here that one Gram will be worth \$3 to \$7.

12:45:41 18 BY MR. TENREIRO:

12:45:42 19 Q. Okay.

12:46:07 20 A. What is implied here is that after the  
12:46:09 21 successful launch of the network as it is currently  
12:46:19 22 contemplated, there will be a certain market price of  
12:46:26 23 Grams formed by market forces.

12:46:45 24 Q. So it's whatever the price -- so if the  
12:46:48 25 price, by market forces, is, I don't know, \$20, then

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12:50:45 1 Was the potential amount that you allocated to each  
12:50:49 2 investor related to, you know, their ability to have  
12:50:58 3 considerable disk space, computing power, network  
12:51:02 4 bandwidth, as well as a continual commitment to  
12:51:06 5 100 percent uptime?

12:51:08 6 MR. DRYLEWSKI: Objection; form.

12:51:44 7 THE WITNESS: As you know, we only  
12:51:48 8 admitted high net-worth individuals and established  
12:52:02 9 funds in private placement, and it was an inevitable  
12:52:32 10 consequence of this that such individuals or funds  
12:52:41 11 would be able to rent -- to afford to pay for the  
12:53:07 12 computing power necessary in the validation process,  
12:53:14 13 because, in my understanding, the cost of renting or  
12:53:38 14 acquiring equipment for validation, although  
12:53:43 15 considerable for an average person, can be regarded  
12:53:52 16 as negligible compared to the amounts of funds  
12:53:57 17 invested by each of the purchasers.

12:54:03 18 BY MR. TENREIRO:

12:54:03 19 Q. And the average person, if the  
12:54:06 20 TON Blockchain launches, will be able to buy Grams  
12:54:09 21 in any quantity, even in fractional quantities, right?

12:54:17 22 MR. DRYLEWSKI: Objection; form.

12:54:22 23 THE WITNESS: This is dependent on several  
12:54:25 24 factors but this is the plan.

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13:44:13 1 would be used as a number required for the network  
13:44:34 2 to function, unlike in some maybe other competing  
13:44:41 3 blockchain projects; so there was no way to  
13:44:49 4 definitively answer that question.

13:44:53 5 MR. TENREIRO: Okay. Just a couple more  
13:44:55 6 questions and then we can -- just to finish this  
13:44:57 7 topic, if you don't mind?

13:44:59 8 MR. DRYLEWSKI: Sure.

13:44:59 9 BY MR. TENREIRO:

13:45:00 10 Q. I think you mentioned at some point today,  
13:45:02 11 but correct me, has Telegram completed all of the  
13:45:05 12 tests on the TON Blockchain for the TON Blockchain?

13:45:09 13 MR. DRYLEWSKI: Objection; form.

13:45:35 14 THE WITNESS: As I previously indicated,  
13:45:39 15 by October 2019 we concluded the vigorous testing of  
13:46:01 16 the core components of the TON Blockchain that  
13:46:16 17 we considered necessary for the project to be able to  
13:46:31 18 be launched as a decentralized network. At the same  
13:46:59 19 time, we, given the change of the deadline date for  
13:47:08 20 this project, are using this additional time to work  
13:47:33 21 on a few nice-to-have features. In addition, we keep  
13:48:07 22 reviewing the feedback from the open-source community  
13:48:21 23 security researchers that we previously incentivized  
13:48:34 24 to help us with the testing process.

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14:50:09 1 Q. Can you tell me who these individuals or  
14:50:12 2 entities are, these open-source community security  
14:50:18 3 researchers that you had previously incentivized?

14:50:29 4 A. I think that in September last year  
14:50:35 5 we launched a contest for smart contract engineers and  
14:50:54 6 security researchers that promised a prize fund of  
14:51:08 7 up to \$400,000 to be distributed among the winners in  
14:51:24 8 this competition. As a result, we had a lot of people  
14:51:48 9 from the industry looking at the code of the  
14:51:53 10 TON Blockchain, testing how the TON Blockchain and  
14:52:07 11 its virtual machine work, and seeing whether they  
14:52:14 12 could find any security issues with the project.

14:52:26 13 Q. And these people are still doing some of  
14:52:28 14 that work is what you're saying?

14:52:31 15 MR. DRYLEWSKI: Objection; form.

14:52:42 16 THE WITNESS: The prize budget that we  
14:52:52 17 intended to be distributed among security researchers  
14:53:04 18 which would be able to alert us to critical issues  
14:53:19 19 that they may find in the code of the TON Blockchain  
14:53:34 20 is still there and we have indicated publicly that  
14:53:43 21 we continue accepting and rewarding individuals that  
14:53:51 22 could help us test the network in the way I just  
14:54:10 23 described.

14:54:11 24 MR. TENREIRO: Let's look at Exhibit 73,  
14:54:14 25 please. We just marked it. It's 17-332.

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17:12:47 1 from other sources publicly available for anybody.

17:12:58 2 Q. And a moment or two ago you mentioned that  
17:13:01 3 in October, Telegram disclosed certain financial  
17:13:06 4 information. Was that information emailed directly  
17:13:10 5 to the private placement purchasers, or how was it  
17:13:17 6 disclosed to them?

17:13:21 7 A. Yes, I believe it was part of the update  
17:13:24 8 we sent to all of the purchasers by email.

17:13:27 9 Q. And is there is any current plan in place  
17:13:33 10 by Telegram in terms of what sort of financial  
17:13:37 11 information about itself it might disclose after the  
17:13:41 12 launch of the TON Blockchain?

17:14:01 13 A. In our view, Telegram's obligations under  
17:14:09 14 the purchase agreement, for the most part, will be met  
17:14:32 15 at the time of launch, meaning that after the launch  
17:14:36 16 of the TON Blockchain, Telegram will no longer be  
17:14:39 17 actively developing TON and, as such, it is not  
17:15:08 18 obvious why purchasers who have received Grams in the  
17:15:14 19 event of a successful launch of the TON Blockchain  
17:15:23 20 would need any information --

17:15:23 21 Q. So -- I'm sorry.

17:15:34 22 A. -- from Telegram Messenger other than the  
17:15:41 23 information that will be already available from public  
17:15:45 24 sources.

17:15:46 25 Q. Sorry. So my question was not about plans

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